

THE IMPORTANCE OF INTELLECTUAL CAPITAL AND ITS EFFECT ON PERFORMANCE MEASUREMENT SYSTEMS: AN EMPIRICAL OBSERVATION

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This study has two objectives. The first objective of this study is to provide evidence concerning the relationship between selected organizational characteristics and the perceived importance of intellectual capital. The second objective of this study is to relate the relative importance of intellectual capital to characteristics of the organization's performance measurement systems. Due to their in-depth knowledge of their entities' business operations, internal auditors are used to provide the data for this study. The results of a survey administered to 54 internal auditors indicate that the industry of a company is not related to that company's attitude about intellectual capital. The size of the internal audit department is related to a company's attitude about intellectual capital. Companies with smaller internal audit departments believe that intellectual capital is very important. Finally, the evidence suggests that progressive business performance measurement systems are being implemented to a larger extent at entities that place a greater emphasis on intellectual capital.